2007-04735/

BRITISH COLUMBIA
The Best Place on Earth

BC STATS

Service BC
Ministry of Labour and Citizens' Services

Ocean Fan Lu & Chad Stroomer
(250) 387-1124
Ocean.Lu@gov.bc.ca
June 2007
Issue: 06-Annual

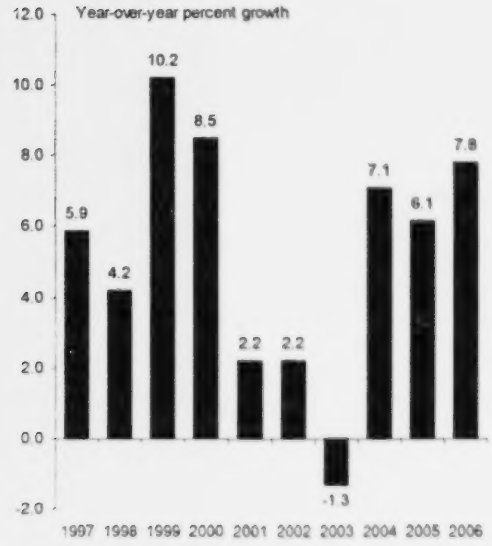
Tourism Industry Monitor ◆ Annual 2006

2006 in Review: Another Good Year for BC Tourism Sector

Revenues continued on an upward trend

Room revenues at hotels, motels and other establishments in British Columbia increased 7.8%, reaching over $1.8 billion in 2006, the highest level since 1995. The persistent growth for the third consecutive year highlights the strength of BC's tourism economy.

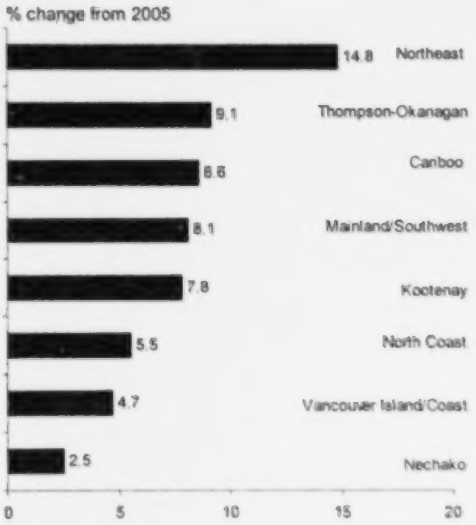
Persistent growth in room revenues in 2006 in BC



Data Source: BC Stats

Northeast continued to be the top performer in 2006

Northeast outperformed the rest of BC in 2006



Data Source: BC Stats

All regions of the province experienced increases in revenues in 2006. For the fourth time, the Northeast region outperformed the rest of BC, posting a growth rate of 14.8%. This follows a gain of 22.1% in 2003, 12.2% in 2004, and 21.9% in 2005. Thompson-Okanagan (+9.1%), Kootenay (+7.8%) and Vancouver Island/Coast (+4.7%) continued their upward trend since 1997. BC's most populated region, Mainland/Southwest (+8.1%), also made significant gains in room revenues. Cariboo

(+8.6%) was also a major engine of revenue growth, as was North Coast (+5.5%). After a robust increase of 15.2% in 2005, revenues in Nechako rose only a moderate 2.5%.

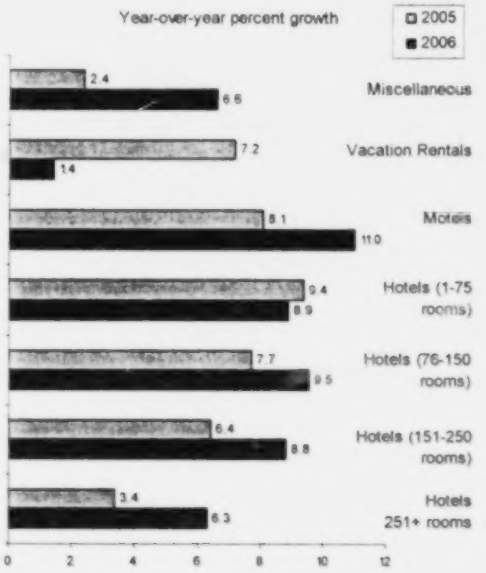
Revenues up at all types of establishments

Motels (+11.0%) outperformed hotels (+8.1%), vacation rentals (+1.4%), and other types of accommodation properties (+6.6%; including bed and breakfast, fishing lodges and other types of short-term accommodation). This is not much different from 2005, when revenues at motels (+8.1%) surpassed those of hotels (+6.0%) and vacation rentals (+7.2%).

In 2006, motels posted strong, persistent and consistent increases, proving themselves to be strong competition for hotels, and replacing small hotels (1-75 rooms, +8.9%) as the top performers in 2006. Hotels with 76-150 rooms posted the strongest gain (+9.5%) among hotels, followed by large hotels (151-250 rooms, +8.8%). Very large hotels (251+ rooms) grew faster than they did in 2005, showing a 6.3% increase in revenues.

The long-run downward trend in visitor entries continued in 2006 as the number of visitor entries to Canada via BC fell 5.2% to about 6.8 million, the lowest number in more than a decade. Entries were weak throughout the year, with all four quarters showing overall declines and down 19.3% since 2000.

Small hotels posted strongest gain



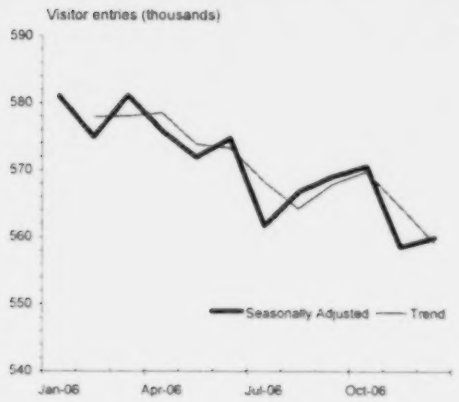
Data Source: BC Stats

US entries continued to fall for the sixth consecutive year since 2001

Accounting for the largest source of foreign visitors to the province, the US is a major tourism market. The number of visitors from the US has been declining every year since 2001 and continued to fall (-6.5%) in 2006 with same-day entries dropping dramatically (-15.8%) and overnight travel off slightly (-0.2%).

Last year's count of 1.9 million same-day visitors from the US was the lowest level since 1989. In 2006, overnight travel from the US remained relatively unchanged at 3.4 million visitors.

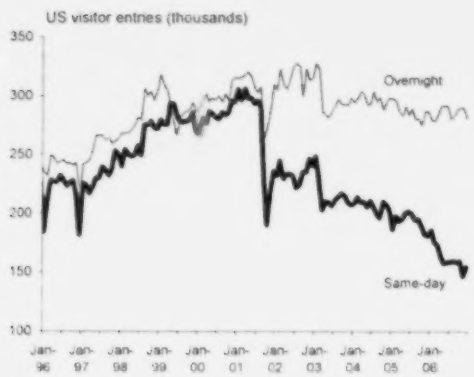
Downward trend in visitor entries continues in 2006



Data Source: Statistics Canada

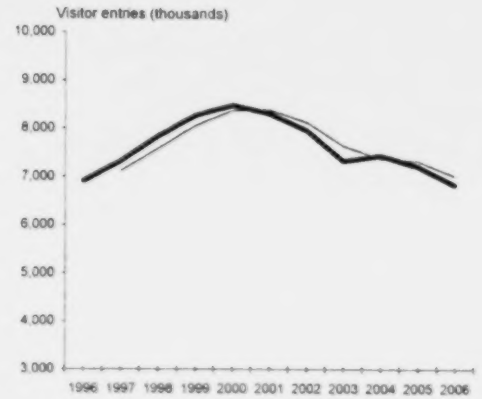
Prior to 2001, the number of same-day trips was only slightly lower than the number of overnight stays. In 2006, the number of overnight visitors was nearly twice that of same-day travellers. The gap between overnight and same-day entries has grown since the end of 2001, reaching 1.5 million in 2006.

A growing gap between the US same-day and overnight travel



Data Source: Statistics Canada

Entries trending down since 2000



Data Source: Statistics Canada

Ongoing security concerns, which have resulted in longer line-ups and delays at border crossings since September 2001, may have made same-day travel less appealing to potential and formerly frequent visitors from the US. Additionally, an appreciation in the value of the Canadian dollar has increased the cost of travel to BC from the US and made activities such as shopping and sightseeing trips less of a bargain. All of this, coupled with the rapidly rising cost of gasoline, may be keeping some American travellers away from the province.

Overseas travel to BC only slightly off in 2006

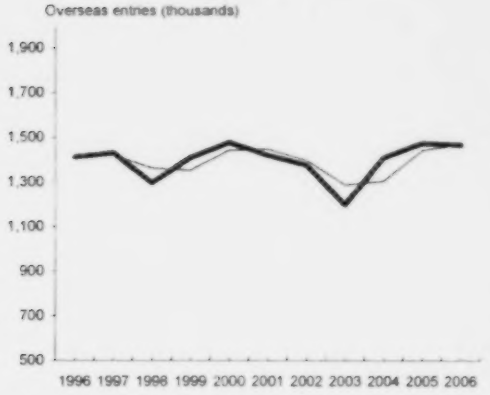
Travel to BC from overseas markets was down slightly (-0.5%) in 2006, a slowdown following increases recorded in 2004 (+17.6%) and in 2005 (+4.6%). A decline in the number of travellers from Europe (-0.2%), Asia (-0.9%), and Oceania (-1.5%) was also observed in 2006.

Entries started the year weak in January, but recovered quickly through the first quarter. From there and throughout the rest of the year the number of visitors ebbed and flowed from month to month, with the third

quarter showing a net loss in the number of travellers to BC. These losses were recovered in the late year with an increase in December (+1.6%).

The number of entries from Asia was off slightly (-0.9%) in 2006. The most significant change in Asian entries was a sharp decline (-10.5%) in the number of travellers from Japan. Entries from South Korea, the second largest Asian market after Japan, were up (+4.6%), but residents of Taiwan (-6.5%) paid fewer visits to BC while the number of guests from Hong Kong increased only marginally (+0.3%).

Recent growth in overseas visits slows in 2006



Data Source: Statistics Canada

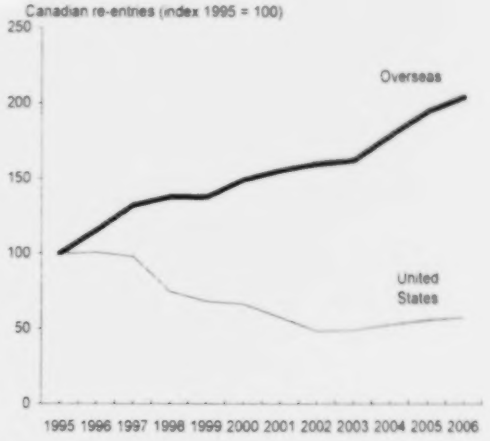
European entries were down slightly (-0.2%) to 493,000 in 2006, as the number of guests from the UK (-2.0%) and Germany (-3.3%) fell. BC also saw fewer (-1.5%) arrivals from Oceania (Australia, New Zealand, and other parts of the South Pacific).

More Canadians return home from overseas travels

The number of Canadians re-entering the country via BC advanced (+3.6%) in 2006. Travel to overseas destinations has been trending upward over the past decade as Canadians explore the world beyond North America. Overseas travel has more than doubled (+104.0%) between 1995 and 2006 with the number of entries rising 4.9% to almost 1.2 million travellers in 2006.

Since 1995, the number of Canadians returning home from visits to the US has nearly halved (-42.2%). However, this downward trend began to increase in 2003, likely due to the ongoing appreciation of the Canadian dollar against the US greenback. In 2006, the number of Canadians returning from the US rose 3.4%.

Canadian re-entries from overseas have doubled between 1995 and 2006, while re-entries from US have nearly halved



Data Source: Statistics Canada

Other Annual Indicators

In the hotel industry, the occupancy rate increased by 1.9 percentage points to 65.9% in 2006, while average room prices rose 5.5%, to $123.1.

BC Ferries carried marginally fewer vehicles (-0.1%), while passenger volumes on board inched lower (-0.5%) as well. On the Coquihalla Highway, 1.3% fewer passenger vehicles passed through tollbooths last year.

Employment in key tourism-related industries improved (+5.1%) in 2006, with increases seen in all sectors. Air transport (+4.1%), food and beverage (+4.7%) arts, entertainment and recreation (+5.8%), and accommodation (+6.5%) industries all hired more workers.

Other Tourism Indicators (annual)

	2006	Change from 2005
Hotel Industry		
Occupancy rate (%)	66.0	1.9 pp
Average room charge ($)	122.88	5.5%
(Pannell Kerr Forster)		
Airport Passengers	**(000s)**	**(%)**
Vancouver International Airport		
Total traffic	16,929	3.1
US (trans-border)	4,257	3.7
Other International	3,960	-0.1
Canada (domestic)	8,712	4.4
(YVR)		
Victoria International Airport	1,390	5.4
Total traffic		
(Victoria Airport Authority)		
Restaurant Receipts	**($ millions)**	**(%)**
All establishments	6,544.1	6.7
Food service	6,094.9	9.6
Drinking places	449.2	-21.2
(Statistics Canada)		
Transportation	**(000s)**	**(%)**
Coquihalla Highway		
Passenger Vehicles	2,601	-1.3
(Ministry of Transportation & Highways)		
BC Ferries		
Vehicle Volume	8,530	-0.1
Passenger Volume	21,689	-0.5
(BC Ferries)		

Note pp. percentage points

Despite the downturn in international visitor entries in 2006, airport traffic statistics continued to increase. Passenger traffic at Vancouver airport rose to over 16.9 million travellers, 3.1% higher than in 2005, with higher volumes on most types of flights. US trans-border (+3.7%) and domestic traffic (+4.4%) all increased, with the decrease in the number of passengers on other international flights being relatively small (-0.1%). Victoria airport welcomed 1.4 million travellers, a 5.4% increase from 2005.

In BC, restaurant and tavern receipts surged 6.7% to over $6.5 billion in 2006 with a 9.6% increase in sales at food services establishments, offering a dramatic 21.2% in receipts at drinking places.

Conclusion

While the tourism sector in BC has seen a downturn in the number of international travellers from the US and overseas, a rise in hotel occupancy rates, room revenues and tourism-related employment indicates that the province's tourism sector is performing better overall.

While comprehensive provincial tourism data for 2006 are not available, this scenario seems quite plausible when examined on the national level. The Canadian Tourism Commission reports that while foreign tourism expenditures in Canada were down 1.8%, domestic tourism spending rose 10.0% in 2006 to $49.7 billion leading total expenditures to $66.9 billion, an increase of 6.7%.

This suggests that while Canada and, by implication, BC cannot neglect the importance of American and overseas visitors it is growth in domestic travel, either inter- or intraprovincial, that was fundamentally supporting the tourism sector in BC.

Tourism Indicators

Annual Series, 2001-2006

	2001	2002	2003	2004	2005	2006
Tourism Room Revenue ($ thousands)						
BC Total	1,473,983	1,506,188	1,486,681	1,592,176	1,690,093	1,822,164

Source: BC STATS

Gross Domestic Product ($ millions)*						
CURRENT DOLLARS						
BC Total	122,773	126,761	133,452	144,433	154,880	n/a
Tourism	5,430	5,559	5,528	5,909	6,203	n/a
CONSTANT DOLLARS (1997 dollars)						
BC Total (*Chained*)	115,139	118,866	121,769	126,791	131,139	136,050
Tourism	4,909	4,906	4,975	5,176	5,424	n/a

Source: BC STATS

** Estimates for tourism GDP data are based on information published in the spring of 2006.*

Tourism Revenue & Volume Estimates						
Revenue ($ millions)	9,242	9,336	8,953	9,473	9,786	n/a
Visitor Volume (thousands)	22,381	22,571	21,870	22,450	22,886	n/a

Source: Tourism BC

Visitor Entries to Canada via British Columbia (thousands of persons)						
USA – Total	6,895	6,596	6,137	6,039	5,751	5,380
Overnight	3,637	3,788	3,557	3,562	3,436	3,430
OVERSEAS – Total	1,418	1,375	1,198	1,409	1,474	1,466
EUROPE	466	412	410	458	494	493
Germany	98	97	63	96	89	83
United Kingdom	108	109	104	118	122	235
ASIA	732	764	578	716	724	717
Hong Kong	89	91	68	74	73	73
Japan	257	277	185	246	243	218
Taiwan	98	97	63	96	89	83
Oceania	132	118	125	144	157	155
Australia	98	101	105	121	131	130
CANADA – Total (returning to Canada)	8,329	7,197	7,285	7,847	8,356	8,659
From U.S.A. – Total	7,426	6,270	6,343	6,806	7,225	7,473
From Overseas	903	928	942	1,040	1,131	1,186

Source: Statistics Canada, International Travel (66-001)

Transportation (thousands)						
Vancouver Airport -- arrivals & departures	15,477	14,877	14,321	15,726	16,419	16,929
Victoria Airport -- arrivals & departures	1,158	1,102	1,183	1,250	1,318	1,390
BC Ferries – passengers	21,309	21,540	21,348	21,955	21,791	21,689
Coquihalla Highway – passenger vehicles	2,461	2,530	2,480	2,586	2,635	2,601

Sources: Vancouver Airport, Victoria Airport, BC Ferries, Ministry of Transportation & Highways

Hotel Occupancy & Room Rates (annual average)						
Occupancy (%)	59.29	58.89	58.29	61.28	64.02	65.94
Room Rate ($)	116.12	117.00	113.73	115.70	116.57	123.12

Source: Pannell Kerr Forster (Vancouver)

Tourism Indicators

Annual growth rates, 2001-2006

% change from previous year	2001	2002	2003	2004	2005	2006
Tourism Room Revenue ($ thousands)						
BC Total	2.2	2.2	-1.3	7.1	6.1	7.8

Source: BC STATS

Gross Domestic Product						
CURRENT DOLLARS						
BC Total	1.7	3.2	5.3	8.2	7.2	n/a
Tourism	2.8	2.4	-0.6	6.9	5.0	n/a
CONSTANT DOLLARS						
BC Total	1.1	3.2	2.4	4.1	3.4	3.7
Tourism	0.4	-0.1	1.4	4.0	4.8	n/a

Source: BC STATS

* Estimates for tourism GDP data are based on information published in the spring of 2006.

Tourism Revenue & Volume Estimates						
Revenue	-2.2	1.0	-4.1	5.8	3.3	n/a
Visitor Volume	-0.5	0.8	-3.1	2.7	1.9	n/a

Source: Tourism BC

Visitor Entries to Canada via British Columbia						
USA -- Total	-1.6	-4.3	-7.0	-1.6	-4.8	-6.5
Overnight	1.1	4.2	-6.1	0.1	-3.5	-0.2
OVERSEAS -- Total	-3.9	-3.0	-12.9	17.6	4.6	-0.5
EUROPE	-6.4	-11.7	-0.4	11.7	7.8	-0.2
Germany	-0.9	-0.2	-35.0	52.5	-7.5	-7.6
United Kingdom	0.1	0.5	-4.3	13.7	3.4	92.1
ASIA	-3.6	4.4	-24.4	23.9	1.1	-0.9
Hong Kong	-0.5	2.5	-25.3	9.3	-2.2	0.3
Japan	-7.9	7.6	-33.2	33.0	-1.0	-10.5
Taiwan	-0.9	-0.2	-35.0	52.5	-7.5	-6.5
Oceania	-1.4	-10.5	5.8	15.6	8.9	-1.5
Australia	1.6	3.2	3.9	14.6	8.5	-0.9
CANADA -- Total (returning to Canada)	-11.7	-13.6	1.2	7.7	6.5	3.6
From U.S.A. -- Total	-13.3	-15.6	1.2	7.3	6.1	3.4
From Overseas	4.2	2.7	1.5	10.4	8.7	4.9

Source: Statistics Canada, International Travel (66-001)

Transportation						
Vancouver Airport -- arrivals & departures	-3.5	-3.9	-3.7	9.8	4.4	3.1
Victoria Airport -- arrivals & departures	1.7	-4.8	7.3	5.7	5.5	5.4
BC Ferries -- passengers	0.1	1.1	-0.9	2.8	-0.7	-0.5
Coquihalla Highway -- passenger vehicles	2.5	2.8	-2.0	4.3	1.9	-1.3

Sources: Vancouver Airport, Victoria Airport, BC Ferries, Ministry of Transportation & Highways

Hotel Occupancy & Room Rates						
Occupancy (percentage point change)	-0.7	-0.4	-0.6	3.0	2.7	1.9
Room Rate (% change)	1.8	0.8	-2.8	1.7	0.8	5.6

Source: Pannell Kerr Forster (Vancouver)